

## Message Text

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PAGE 01 BOMBAY 00570 071308Z

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ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

CIEP-02 LAB-04 SIL-01 OMB-01 INT-05 AGR-10 /110 W

----- 067332

R 071110Z MAR 75

FM AMCONSUL BOMBAY

TO SECSTATE WASHDC 5178

INFO AMEMBASSY NEW DELHI

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS BOMBAY 0570

E. O. 11652: N/A

TAGS: BEXP, IN

SUBJ: EARLY WARNING: WORLD BANK ASSISTANCE FOR NARMADA  
RIVER VALLEY DEVELOPMENT.

REF : CERP SECTION D; 10 FAM 947

1. WINDING UP DEBATE ON GOVERNOR'S ADDRESS IN THE MADHYA  
PRADESH LEGISLATIVE ASSEMBLY FEBRUARY 25, CHIEF MINISTER  
P.C. SETHI REVEALED, FOR THE FIRST TIME, THAT GOI IS  
INITIATING NEGOTIATIONS WITH WORLD BANK FOR FINANCIAL  
ASSISTANCE IN IMPLEMENTING IRRIGATION AND POWER PROJECTS  
ON RIVER NARMADA.

2. NARMADA, THE SIXTH LARGEST RIVER IN INDIA, HAS REMAINED  
LARGELY UNTAPPED DUE TO CONTINUING DISAGREEMENT AMONG THE  
RIPARIAN STATES OF MADHYA PRADESH, GUJARAT AND  
MAHARASHTRA. DESPITE FITFUL, BILATERAL AND MULTILATERAL  
NEGOTIATIONS SINCE 1959, AND NOTWITHSTANDING PERIODICE  
INTERCESSION BY GOI, NO ACCEPTABLE FORMULA FOR SHARING THE  
NARMADA'S RESOURCES HAS YET BEEN REACHED. THE DEADLOCK HAS  
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PAGE 02 BOMBAY 00570 071308Z

MEANT THAT A WHOLE CHAIN OF IRRIGATION AND POWER PROJECTS

VITAL TO AGRICULTURAL AND INDUSTRIAL DEVELOPMENT OF MADHYA PRADESH, GUJARAT AND OF SIGNIFICANT BENEFIT TO NEIGHBORING MAHARASHTRA AND RAJASTHAN HAVE NOT BEEN BUILT. MEASURED IN TERMS OF BENEFITS, THE NARMADA SYSTEM IS POTENTIALLY CAPABLE OF IRRIGATING 12 MILLION ACRES OF FARMLAND, GENERATING 2000 MEGAWATTS OF POWER, CREATING LARGE INLAND FISHERY FACILITIES AND MAKING THE RIVER NAVIGABLE FOR ABOUT 100 MILES.

3. BESIDES THE CRUCIAL POLITICAL SETTLEMENT, THE PROJECT COST, INITIALLY ESTIMATED AT \$1330 MILLION, HAS SUBSTANTIALLY ESCALATED IN THE LAST FIFTEEN YEARS. IN VIEW OF SEVERE FINANCIAL CONSTRAINTS, IT IS QUESTIONABLE WHETHER GOI WOULD BE IN A POSITION TO DIRECT DOMESTIC RESOURCES FOR SUCH A MASSIVE INVESTMENT IN THE FORESEEABLE FUTURE.

4. WORLD BANK FINANCING, SHOULD IT MATERIALIZE, WOULD OFFER PROSPECTS FOR SALE OF A WIDE RANGE OF US GOODS AND SERVICES OVER AN EXTENDED PERIOD.

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